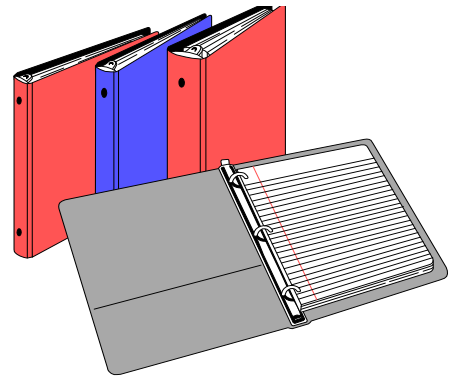


## CHAPTER III. NATIONAL OBJECTIVES, ELIGIBLE ACTIVITIES AND INDIVIDUAL FEDERAL COMPLIANCE REQUIREMENTS

### A. ELIGIBLE GRANT APPLICANTS

Consistent with federal law, **eligible applicants** for the State CDBG program are:

- ◆ **Incorporated cities and towns with populations of less than 50,000 excluding those in Salt Lake County;**
- ◆ **All of Utah's counties except Salt Lake County; and, unique to Utah, are the**
- ◆ **Units of local governments recognized by the Secretary of HUD that include six of the seven associations of government, excluding the Wasatch Front Regional Council.**



By federal law the state may only fund the applicants mentioned above. For convenience and mutual benefit, combinations of the above may enter into a subcontractor's agreement where one applicant is regarded as a primary beneficiary acting as the grantee entity for both applicants. Other users of CDBG funds such as non-profit and for-profit corporations, councils of government, housing authorities, and special service districts must apply through and enter into subcontractor agreements with an eligible applicant who also derives a primary benefit. These entities must be incorporated in compliance with all applicable laws and regulations. The state encourages units of general local government to cooperate with each other as well as other entities to engage in eligible activities.

**1. Sponsorship of a Non-eligible Recipient** – Eligible grantees who agree to sponsor a non-eligible sub-recipient must realize that such an agreement needs careful consideration before being entered into. Agreeing to sponsor a sub-recipient does not negate the legally eligible grantee of the need to comply with state and federal laws. The sponsoring entity needs to remember that they and the state will sign the contract that will be prepared, and as such they are legally bound to comply with all pertinent laws and regulations, as is their sub-recipient.

The responsibility for “who does what” in such an arrangement will depend on each entity, the project or activity, and the degree of comfort that the sponsor has with the sub-recipient. When the comfort level is high the need for oversight by the legal recipient may be reduced but should never be completely done away with. For instance, the OMB circular appropriate for the type of organization ultimately using the funds determines compliance with fiscal requirements. The state is only responsible to ensure compliance by the sponsoring entity, which means that the sponsoring entity should either make sure they are comfortable with the accounting procedures used by the sub-recipient or should

do a periodic review of the budget and expenditures of that entity while the CDBG grant is in process. The state maintains contact with sub-recipients during the course of the project through phone, written and in-person site visits. These technical assistance efforts are the state's way of assisting the sponsoring entity with some of its oversight needs. However, sponsors should realize that final compliance by the sub-recipient ultimately lies with them.

Sponsorship responsibilities include holding the pre-application public hearings, the signing of the application and contracts, compliance with all civil rights requirements including compliance with handicap accessibility laws, and a certain amount of environmental oversight. Compliance with any labor related laws is usually reviewed at the sub-recipient level, but the sponsor may request involvement to ensure that any local or jurisdictional requirements related to procurement and construction activity are understood and will be followed by the sub-recipient. If the sponsor has retained any administrative costs for a CDBG contract the sponsor's financial records will also be reviewed. Sponsorship also requires assistance with the completion of the final monitoring and the close out packet at the end of the project. The sponsor will be monitored at the end of the project in addition to the sub-recipient to ensure this compliance.

**2. Public Service** – Public service providers, traditionally non-profit organizations, are allowed to apply for CDBG funds for capital improvements and major equipment purchases. Examples are delivery trucks, furnishings, fixtures, computer equipment, construction, remodeling and facility expansion. State policy prohibits the use of CDBG funds for operating and maintenance expenses. This includes paying administrative costs, salaries, etc. No more than 15 percent of the state's yearly allocation of funds may be expended for public service activities.

## **B. NATIONAL OBJECTIVE COMPLIANCE REQUIREMENTS**

Each applicant must identify and meet only **ONE** of the three national objectives listed below even though the project might be able to qualify under other national objectives.

### **1. NATIONAL OBJECTIVE #1 - LOW AND MODERATE INCOME BENEFIT**

"The projected use of funds has been developed so as to give maximum feasible priority to activities which will benefit low/moderate income (LMI) families. . ."

LMI. (Low/Moderate Income) families are defined as those families whose income does not exceed 80 percent of the county median income for 2007 or 80 percent of the median income of the entire non-metropolitan area of the state of Utah, whichever is higher. See Appendix C for delineation of 80 percent of county median income by family size. Appendix D contains a listing of all cities and counties who presently qualify based on the 2000 Census as having at least 51 percent low or moderate-income persons. These entities do not need to conduct a survey **if the project is intended to benefit all persons**

**in the community.** In order to meet this national objective the applicant must demonstrate a benefit to low and moderate income in one of the following ways:

**a. Economic Development:** The activity must:

- (1) Be carried out in a neighborhood where a substantial number (51 percent) of LMI persons reside; or
- (2) Employ persons, a majority of whom are LMI; or
- (3) Make training available to LMI persons to help them qualify for higher skilled employment; or
- (4) Engage in advertising and recruitment efforts targeted to LMI persons.

Documentation necessary to meet LMI benefit: Determine which of the four E.D. activities the project will address. The grantee must determine the best method by which to substantiate this determination and provide appropriate documentation. Possible methods include:

- ♦ Identification of the specific neighborhood and an income survey of the project's intended beneficiaries;
- ♦ Income certifications obtained from individuals hired;
- ♦ Documentation of the type of training to be provided;
- ♦ Documentation of efforts to advertise and recruit LMI persons.

**b. Site Specific activities:** At least 51 percent of the direct beneficiaries of the proposed project must consist of families whose **TOTAL FAMILY INCOME** does not exceed 80 percent of the county median income for the current program year as demonstrated by the income figures provided in Appendix C, or at least 51 percent of the beneficiaries of the proposed project consist of families whose **TOTAL FAMILY INCOME** does not exceed 80 percent of the median income for the entire non-metropolitan area of the State of Utah. See Appendix C for this statewide median income figure.

When either of the methods below is used the "project area" must first be specifically determined and identified before the survey is performed.

- ♦ **If a site specific project will provide direct benefit to the entire community** the applicant may use the 2000 census data shown as Appendix D rather than preparing an original survey. The applicant will be required to demonstrate how the project benefits the entire community. All relevant census data to verify this information must be included in the application.

♦ **If the site-specific project will directly benefit only a portion of the community** an original survey of the defined project area must be done to determine LMI population in that specific area. If a survey is to be performed, the survey must be conducted following the state approved methodology found in Appendix E. This method **must** be used if the survey is to be accepted. The burden of proof is on the applicant to carry out the survey in an acceptable manner. This survey will be accepted for the current year's application and for two (2) consecutive application cycles, if the subsequent applications are for a project whose boundaries and/or beneficiaries are identical to those in the original survey. If the survey shows that 60 percent or more of the beneficiaries are LMI then the survey may be good for five (5) consecutive years if the beneficiaries remain the same.

c. **City or countywide activities:** At least 51 percent of the direct beneficiaries of the proposed project must consist of families whose **TOTAL FAMILY INCOME** does not exceed 80 percent of the county median income for the current program year as demonstrated by the income figures provided in Appendix C, **OR** at least 51 percent of the beneficiaries of the proposed project must consist of families whose **TOTAL FAMILY INCOME** does not exceed 80 percent of the median income for the entire non-metropolitan area of the state of Utah. See Appendix C for this state median income figure.

♦ If an applicant's jurisdiction has been identified in Appendix D, which is a list of all cities and counties within the state who qualify to use the 2000 statewide, non-metropolitan figures that document them as 51 percent or more LMI, a copy of the list must be attached and included with the application.

♦ Applicants may perform a new community survey following the instructions in Appendix E.

d. **Limited Clientele activities:** An essential feature of this type of activity is that all benefits will be provided to a **clearly** specific clientele who are **generally presumed** to be 51 percent or more LMI and are activities NOT available to all residents.

(Note: In order to pay connection fees for LMI individuals under this activity, the following must be clarified: HUD views the payment of assessed connection fees as part of the overall project. Whether or not CDBG monies are used for the construction, HUD rules and regulations apply to the construction of the improvements even though connection fees will be paid only for low/moderate income (LMI) persons in the community. If grantees wish to construct the facility and pay connection fees, the entire project must first be shown to meet a National Objective and to have met and addressed all other CDBG requirements. If grantees wish to pay only connection fees for a utility that is being constructed

with other funds, the same requirements apply. If grantees wish to pay connection fees for a utility that has already been constructed they may do so only if they can show that the installation of the utility was originally carried out in compliance with requirements applicable to CDBG activities including citizen participation, compliance with environmental and labor requirements and that it meets a national objective.)

**Lateral connections for those who are certified as LMI are considered eligible as rehabilitation.** In no case, may CDBG funds be used to pay for sewer laterals for non-LMI individuals.

- ◆ If a population is targeted to be the beneficiary of a project, the project scope must demonstrate that the benefits provided to the population are NOT available to all residents, and that the targeted population meets one of the criteria below:

### **PRESUMED LMI GROUPS**

- ◆ Abused Children    ◆ Battered Spouses    ◆ Migrant Farm Workers
- ◆ Elderly Persons (Defined by HUD as age 62 or over)
- ◆ Illiterate Adults    ◆ Homeless Persons    ◆ Persons living with AIDS
- ◆ Severely Disabled Adults – use wheelchair or special aid for at least 6 months, unable to perform functional activities including seeing, hearing, or walking, are prevented from working or have autism, cerebral palsy, alzheimer's, senility, dementia or mental retardation.

1) Benefit is specifically targeted to a group generally presumed to be 51 percent or more LMI, unless there is evidence to the contrary. Examples of such controversial indicators may be the lifestyle of the community or the known income figures in the area in which the group resides, the construction of a facility that would not ordinarily be utilized by LMI or whose use may be cost prohibitive for LMI, etc. The state is responsible for ensuring that adequate documentation is obtained where there is the possibility of such evidence to the contrary OR

(2) Information must be provided on family size and income and must show that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate-income limit (e.g., programs being operated where LMI income certification is routinely requested to allow participation in the program);

(3) Benefits provided exclusively to low and moderate-income persons based on their income eligibility, e.g., new housing constructed whose occupancy is limited to LMI;

(4) The nature of the activity and location supports a conclusion that 51 percent or more LMI (e.g., a day care center); public housing projects assisted with other HUD funds;

(5) Removal of architectural barriers to the mobility of elderly and disabled.

♦ If the applicant is proposing a project to be designed specifically to benefit LMI persons such as those groups identified above, in the form of:

- LMI housing
- senior citizen centers
- Payment of special assessments, or
- Economic development in the form of job creation, etc.,

the project must be developed and presented in a manner that demonstrates this objective. Again, the CDBG staff prior to pre-application preparation must clear the determination of a project acceptable under this definition.

## **2. NATIONAL OBJECTIVE #2 - AIDING IN THE PREVENTION OR ELIMINATION OF SLUMS OR BLIGHT**

This national objective may be met in one of three possible ways explained below. The state staff must determine compliance with this objective prior to rating and ranking by the RRC.

**a. Perform Activities in a Slum or Blighted Area:** An activity will be considered to address prevention or elimination of slums or blight in an area if:

**(1) The area, delineated by the recipient, meets a definition of a slum, blighted, deteriorated or deteriorating area under State or local law.** Utah Code Annotated 1953, 17B-4-604, states that areas selected must be characterized by buildings or structures considered unsafe or unfit to occupy, or are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency and crime because of any three or more of the following factors, which the applicant must demonstrate to be the case:

- (a) defective character of physical construction;
- (b) high density of population and overcrowding;
- (c) inadequate ventilation, light, or spacing between buildings;
- (d) mixed character and shifting of uses, resulting in obsolescence, deterioration, or dilapidation;
- (e) economic deterioration or continued disuse;
- (f) lots of irregular shape or inadequate size for proper usefulness and development, or laying out of lots in disregard of the contours

and other physical characteristics of the ground and surrounding conditions;

(g) inadequate sanitation or public facilities which may include streets, open spaces, and utilities;

(h) areas that are subject to being submerged by water; and

(i) existence of any hazardous or solid waste, defined as any substance defined, regulated, or listed as a hazardous substance, hazardous material, hazardous waste, toxic waste, pollutant, contaminant, or toxic substance, or identified as hazardous to human health or the environment under state or federal law or regulation.

**AND**

**(2) Throughout the area there are a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration.** The applicant must document by written commentary and/or photographs that, **AT THE TIME OF APPLICATION**, a substantial number of deteriorated or dilapidated buildings or improvements throughout the area existed.

**AND**

**(3) Documentation must be maintained by the recipient** on the boundaries of the area, the condition that qualified the area at the time of its designation, and the percentage of the area that is deteriorated.

**AND**

**(4) The assisted activity addresses one or more of the conditions which contributed to the deterioration of the area.**

**In cases where evidence of slum and blighted conditions are marginal or the deteriorated conditions cannot readily be seen, i.e., buried water or sewer lines or septic system failure, etc., an unbiased, qualified, third party must be consulted for purposes of verification during the pre-application process.** In accordance with the Utah Code previously cited, a third party must find evidence that supports the condition as being unsafe, and is conducive to a public health threat and needs to be rectified in the best interest of the public. This third party must be the Utah State Department of Environmental Quality in the case of water and sewer issues. In other cases, the HCD will use the appropriate state or federal agency to make this determination.

Documentation is required to meet "AREA" Slum/Blight:

(a) Additional documentation must include:

- 1) Description of the area boundaries;
- 2) Declaration of the area as slum or blighted, based on one or more of the above characteristic(s);
- 3) Be dated; and
- 4) Signed by the applicant's chief official.

(b) The scope of work as detailed in the application must address the slum/blight characteristics selected above and outline the solution the CDBG funds will provide in addressing them.

**b. Perform Activities on a Spot basis:** Acquisition, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis not located in a slum or blighted area will meet this objective. Under this criterion, rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety. To be considered to be detrimental to public health and safety, a condition must pose a threat to the *public in general*.

Documentation required to meet "SPOT" Slum/Blight:

- (1) The scope of work detailed in the application must provide a description of the specific condition of blight or physical decay treated; and
- (2) Under this standard, any *rehabilitation performed to non-LMI households is limited to that necessary to eliminate specific conditions detrimental to public health and safety* and must be acknowledged in the scope of work as detailed in the application.

**OR**

- c. Urban Renewal Completion:** Eligible activities to be performed must be included in the urban renewal plan most recently approved by HUD under Title I of the Housing Act of 1949, as amended (42 U.S.C. 1450 et. seq.) which are necessary to complete an urban renewal project.

Documentation required to meet Slum/Blight Urban Renewal Completion:

A copy of the urban renewal plan must accompany the application.



### **3. NATIONAL OBJECTIVE #3 - URGENT, HEALTH, WELFARE NEEDS**

To comply with the national objective of meeting community development needs having a particular urgency, an activity must be designed to alleviate existing conditions which the local government certifies and state determines:

- ◆ Pose a serious and immediate threat to the health or welfare of the community,
- ◆ Are of recent origin or recently became urgent,
- ◆ The state grant recipient is unable to finance the activity on its own, and
- ◆ Other sources of funding are not available to carry out.

The determination of a jurisdiction's ability to meet these criteria will be based on the submission, **at time of the application**, of documentation from the appropriate federal or state agency certifying an immediate threat to health and welfare. Resources from other federal, local or state programs may be used to match or participate in order to relieve the threat. CDBG funds may only be used to complete the funding needed for projects that have maximized all other available funding sources (**GAP** funding).

#### **Documentation Required to meet Urgent Health and Welfare Needs:**

A proposed project will **ONLY** be considered under this national objective if **ALL FOUR** of the following requirements are met **at the time of application submission to the RRC:**

- a. A description of the nature and degree of seriousness of the conditions requiring assistance. The determination of "immediate threat" has been made in consultation with an appropriate state or federal agency. The documentation from such agency **must** be included with the application and **must** demonstrate that there is an immediate threat to health and welfare.
- b. Evidence confirming that other financial resources to alleviate the need were not available. The documentation must include refusals or maximization of assistance from other agencies, not just an indication that they have been contacted.
- c. Information on the timing of the development of the serious condition. A condition will generally be considered to be of recent origin if it is developed or became critical within 18 months preceding the state grant recipient's certification. Documentation certifying this fact must be included with the application.
- d. Evidence that the state grant recipient certified that the CDBG activity was designed to address the urgent need.

## **C. CONSISTENCY WITH THE CONSOLIDATED PLAN**

Every applicant is required to document that the project for which they are applying is consistent with that community's and the region's **current** version of the **CONSOLIDATED PLAN**. Applicants must describe how that consistency is accomplished. Compliance with the requirement will be determined regionally, **PRIOR TO RATING AND RANKING**. The regional determination will be subject to validation by the state.

The applicant must include evidence that the community was and continues to be a willing partner in the development of the regional consolidated planning process. The project or project type must be a high priority in the investment component of the plan and must help fulfill the long term or strategic goals of both the regional and local plans. The allocation of resources must be projected at least 5 years into the future and applications should be consistent with the long-term direction of the plan.

Each Association of Government staff is required to review the regional consolidated plan submitted by their office on behalf of their communities to ensure that each plan includes a brief narrative identifying the process used to determine the priorities contained in the plan, in addition to any capital improvement lists submitted.

## **D. INCLUSIVE FEDERAL COMPLIANCE REQUIREMENTS**

**1. 70 PERCENT LOW/MODERATE INCOME COMPLIANCE:** Assurance must be made to HUD that over each two year grant period at least 70 percent of the entire state CDBG allocation will support activities that benefit low and moderate income persons. To do this, the State must receive adequate information regarding the LMI population proposed to be assisted by each grantee regardless of the National Objective selected (see application form).

This requirement does not affect the activities selected by applicants. The State will continue to fund any one of the three National Objectives (low to moderate income benefit, slum and blight elimination, or urgent need).

**2. OTHER APPLICABLE FEDERAL REQUIREMENTS:** Applicants must be in compliance with all applicable federal and state regulations and overlay statutes. The federal statutes that apply to the program include:

- Davis-Bacon Fair Labor Standards Act (40 US27600000a-276a-5);
- Contract Work Hours and Safety Standards Act, as amended (40 USC 327-333);
- Title VI of the Civil Rights Act of 1964 (42 USC 200(d));
- Title VIII of the Civil Rights Act of 1968 (42 USC 3601);
- Section 504 of the Rehabilitation Act of 1973 (29 USC 794);
- Section 3 of the Housing and Urban Development Act of 1968, as amended (12 USC 1701(u));

- Section 109 of the Housing and Urban Development Act of 1974, as amended (42 USC 5309);
- Age Discrimination Act of 1975, as amended (42 USC 6101);
- Architectural Barriers Act of 1968, as amended (42 USC 4151)
- Section 504 of the Rehabilitation Act of 1973, as amended (29 USC 792);
- Americans with Disabilities Act of 1991
- Equal Employment Opportunity (Executive Order 11246, September 24, 1965);
- Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259);
- The Hatch Act (5 USC 1501 et seq.);
- The National Environmental Policy Act of 1969;
- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and Amendments of 1987
- Title IV of the Lead-Based Paint Poisoning Prevention Act (42 USC 4831);
- Section 3;
- HUD Reform Act;
- Office of Management and Budget Circulars:
  - A-87--Cost Principles for State and Local Governments and 24 CFR Part 85, Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments
  - A-128--Single Audit Act;
- Section 104(d) of the Housing and Urban Development Act of 1974, as amended ("Barney Frank" Anti-Displacement amendment).
- Residential Lead Based Paint Hazard Reduction Act of 1992 and Final Rule, September 1999.

**PLEASE NOTE THAT ADDITIONAL FEDERAL OVERLAY STATUTES AND REGULATIONS MAY APPLY TO THE STATE PROGRAM IF DIRECTED BY HUD AND CONGRESS**

## **E. ELIGIBLE ACTIVITIES**

Each applicant must select an ELIGIBLE activity from the following Matrix Codes. Please choose the code that best describes the activity to be accomplished by your project. It is recommended that you consult with the AOG and/or state staff to help in the matrix code selection process. For details of each activity, please see the statute at 42 U.S.C. Chapter 69, Sec. 5305 (Section 105) of the Housing and Community Development Act of 1974 as amended. (<http://www.hud.gov/offices/cpd/communitydevelopment/rulesandregs/laws/sec5305.cfm>) The eligible activity selected must be identified in the application. (See application form).

## Eligible CDBG Activities

<b>Matrix Code</b>	<b>Description</b>
01	Acquisition of Real Property
02	Disposition (of Property)
03	Construction - Public Facilities and Improvements
03A	Construction - Senior Centers
03B	Construction - Handicapped Centers
03C	Construction - Homeless Facilities
03D	Construction - Youth Centers
03E	Construction - Neighborhood Facilities
03F	Construction - Parks, Recreational Facilities
03G	Construction - Parking Facilities
03H	Construction - Solid Waste Disposal Improvements
03I	Construction - Flood Drain Improvements
03J	Construction - Water/Sewer Improvements
03K	Construction - Street Improvements
03L	Construction - Sidewalks
03M	Construction - Child Care Centers
03N	Construction - Tree Planting
03O	Construction - Fire Stations/Equipment
03P	Construction - Health Facilities
03Q	Abused/Neglected Children Facilities
03R	Asbestos Removal
03S	Construction - Facilities for AIDS Patients
04	Clearance and Demolition
05	Public Service – General
05A	Public Service – Seniors Services
05B	Public Service – Handicapped Services
05C	Public Service – Legal Services
05D	Public Service – Youth Services
05E	Public Service – Transportation Services
05G	Public Service – Battered and Abused Spouses
05H	Public Service – Employment Training
05J	Public Service – Fair Housing Activities (Subject to 15 % Cap)
05M	Public Service – Health Services
05P	Public Service – Screening for Lead Based Paint Poisoning

### Eligible CDBG Activities – Continued

<b>Matrix Code</b>	<b>Description</b>
05Q	Public Service – Subsistence Payments (Prevent Homelessness)
12	Construction of Housing
13	Direct Homeownership Assistance
14A	Rehab – Single Family
14B	Rehab – Multi-Family
14C	Public Housing Modernization
14D	Rehab- Other Publicly Owned Residential Buildings
14E	Rehab – Public/Private Owned Commercial or Industrial Bldgs
14F	Energy Efficiency Improvements
14G	Acquisition for the purpose of Rehab
14H	Rehab - Administration
14I	Lead-Based Paint Hazard Testing and Abatement
16A	Historic Preservation- Residential
16B	Historic Preservation- Non-Residential
17A	Commercial/Industrial – Land Acquisition/Disposition
17B	Commercial/Industrial – Infrastructure Development
17C	Commercial/Industrial – Building Acquisition, Construction, Rehab
17D	Commercial/Industrial – Other Improvements
18A	ED – Direct Financial Assistance to For-Profits
18B	ED – Technical Assistance
18C	ED – Micro-Enterprise Assistance
19C	CDBG – Non-Profit Organization Capacity Building
19D	CDBG Assistance to Institutes of Higher Education
19E	CDBG Operation & Repair of Foreclosed Property
19H	State CDBG Technical Assistance to Grantees
20	Planning
21A	Administration
21D	Fair Housing Activities (Subject to 20% Admin Cap)

## **F. INELIGIBLE GRANT ACTIVITIES**

The general rule is that any activity not authorized under the CDBG regulations is ineligible to be assisted with CDBG funds.

**The following activities may not be assisted with CDBG funds (refer to 24 CFR Part 500 for additional specifics):**

1. Buildings or portions thereof, used for the general conduct of government. This does not include, however, the removal of architectural barriers involving any such building.
2. General government expenses (expenses required to carry out the regular responsibilities of the unit of general local government).
3. Political Activities. CDBG funds shall not be used to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities.

### **Special Provisions:**

#### **1. Purchase of equipment.**

- a. The **purchase of construction equipment is not permitted.** However, compensation for the use of such equipment through leasing, depreciation, or use allowances pursuant to specific OMB Circulars as applicable for an otherwise eligible activity is an eligible use of CDBG funds.
- b. **The purchase of fire protection equipment is eligible** as it is considered to be an integral part of a public facility.
- c. **The purchase of equipment, fixtures, personal property is generally ineligible** unless it's an integral structural fixture or part of an administration or public service activity.

#### **1. Operating and Maintenance expenses are ineligible** – the general rule is that any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. **Specific exceptions to this general rule are operating and maintenance expenses associated with office space for program staff carrying out the CDBG program. Examples of ineligible expenses are:**

- a. Maintenance and repair of publicly owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with disabilities, parking and other public facilities and improvements.
- b. Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.

#### **2. New housing construction is not allowed except**

- a. as provided under last resort housing provisions;

- b. housing constructed under Section 17 of the United States Housing Act of 1937;
  - c. when carried out by a community based development organization (CBDO) pursuant to a neighborhood revitalization project, an economic development project, or energy conservation project.
- 3. Income payments, meaning a series of subsistence type grant payments made to an individual or family for items such as food, clothing, housing (\*rent or mortgage), or utilities are not permitted, this excludes emergency grant payments made over a period of up to three consecutive months.
- 5. Per the faith-based initiative, religious organizations are eligible to apply for CDBG funds on the same basis as other eligible organizations, such as non-profits and require sponsorship from an eligible jurisdiction. Organizations may not use CDBG funding for inherently religious activities, such as worship, religious instruction or proselytizing. Funds may not be used on a structure used inherently for religious activities or for organizations that discriminate based on religion.